



# Developing Criteria for Project Programming



**Infrastructure  
Management  
Group, Inc.**

4733 Bethesda Ave, Suite 600  
Bethesda, MD 20814  
[www.imggroup.com](http://www.imggroup.com)  
(P) 301.907.2900



# Overview and Purpose

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- IMG in conjunction with the PB program management team and Authority staff are moving forward to develop criteria for long-term project programming.
- The team is working simultaneously to develop a methodology for selecting federal stimulus projects, which must be selected in the next 30 days.
- The purpose of this presentation is to:
  - Explain the link between the federal stimulus and project programming process
  - Provide background on the need to establish long-term policy objectives to select projects
  - Outline staff's recommended policy objectives, for which the team will establish metrics and rating criteria
  - Discuss each chosen objective and its impact on the programming process.



# The Federal stimulus legislation has sped up the overall programming criteria process.

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- The Authority has begun to develop criteria to prioritize projects for the American Recovery and Reinvestment Act (“ARRA” or “stimulus”) funding.
- While this effort is related to project programming, the short term nature of this opportunity justified a separate but parallel set of selection criteria.
  - Action is consistent with the Authority’s objective of maximizing non-state funding.
- Provide details to qualify and submit for all the planning, engineering & environmental costs for work on the full 800 route miles of the high-speed rail system in CA.
- For capital expenditures, stimulus projects will be selected based on the following criteria:
  - Projects must be able to meet ARRA’s deadline of obligating funds by 2012.
  - Projects must be part of the board’s designated phase one project from Anaheim to San Francisco.
  - Projects must have independent utility.
- Based on these criteria, for capital expenditures, the Authority will give priority for stimulus funding to the following corridors:
  - Los Angeles to Anaheim
  - San Francisco to San Jose
  - Merced to Bakersfield.



# Project programming must also take a long-term perspective, however.

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- Although ARRA is presents a unique short term opportunity, the Authority must work to develop a process for prioritizing projects over the next two decades.
  - The Authority's preferred methodology will be in place long after stimulus projects have been selected and completed.
- In addition to stimulus funding, the Authority must prioritize projects for the receipt of other federal funding, state bond funds, local dollars, potential private funding, and scarce non-financial resources.
- The IMG team outlined the need for a project programming process in its March presentation to the Board.
- This presentation seeks to establish the Authority's preferred policy objectives, which will serve to form the framework for selection criteria and a decision-making methodology.



## **Before developing selection criteria metrics and weighting, the Authority should adopt policy objectives.**

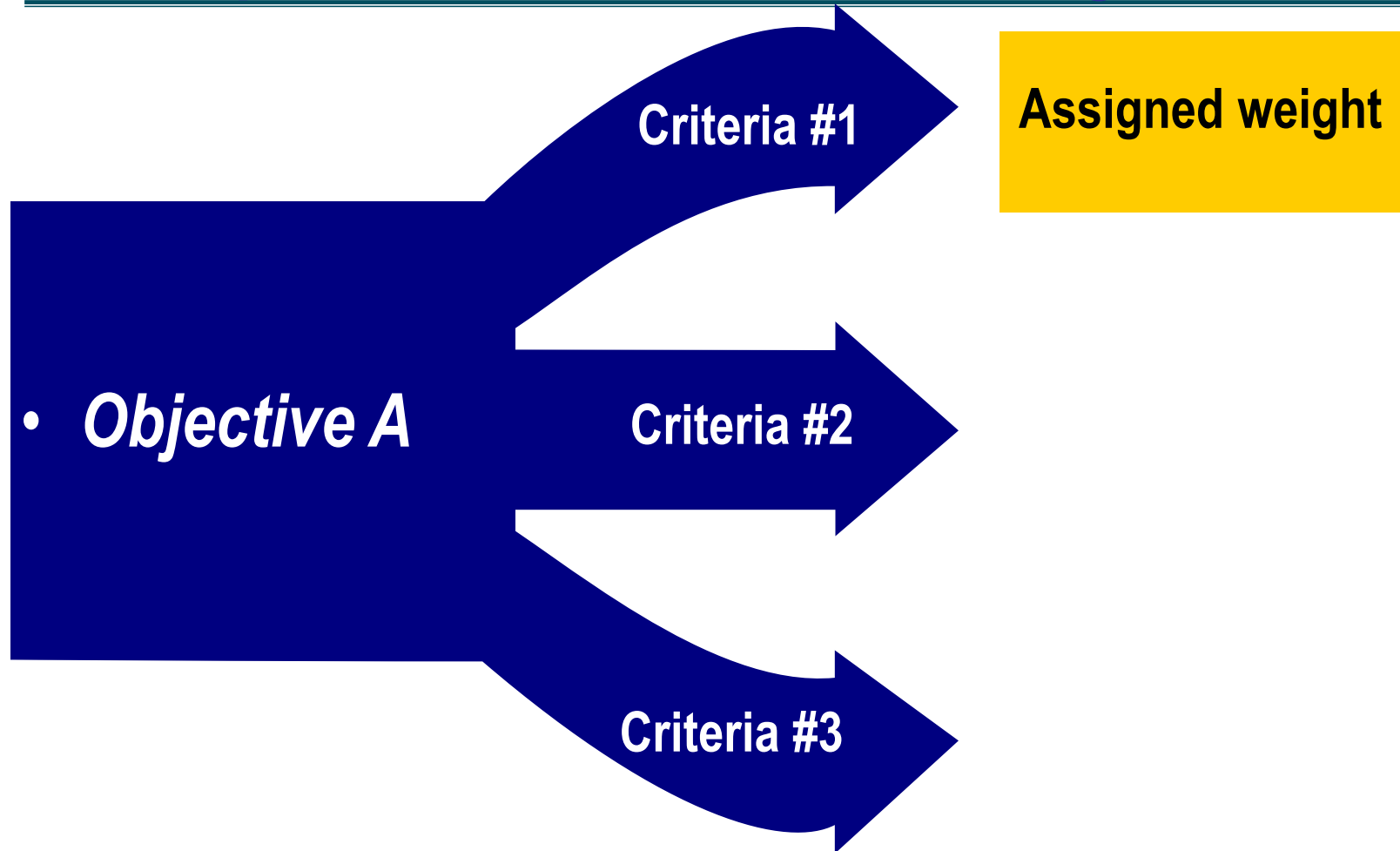
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- Establishing objectives will guide the selection of key criteria and success measures for prioritizing projects.
- Metrics will be developed to determine how well a particular project contributes to one or more of the Authority's objectives.
- Objectives will communicate the Authority's goals to key stakeholders.
- Policy objectives will cover a broad range of areas, based on the Authority's existing policies.





**For each objective, one or more criteria will be developed to measure success in a given area.**





# The Team recommends that the Authority adopt the eight objectives.

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1. Comply with Proposition 1A and other relevant State legislation.
2. Obtain proper environmental and regulatory clearance before proceeding.
3. Maximize the non-State share of capital costs.
4. Contribute to the on-time completion of Phase I.
5. Maximize the number of riders and regions of the State served.
6. Make efficient use of available resources to achieve maximum public benefit.
7. Provide service that is self-sustaining, i.e. does not require an operating subsidy.
8. Mitigate potential projects risks to the State, through effective risk management and transfer.



# Objective 1: Comply with Proposition 1A and other relevant state legislation.

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- This objective will mandate that proposed projects be compliant with Proposition 1A.
- Proposition 1A requires:
  - No more than 50% of construction costs paid for with bond funds
  - Authority must submit a detailed funding plan for each usable segment.
- Possible criteria to measure this objective include:
  - Overall project cost
  - Matching funds availability
  - Ability to submit a funding plan.





## **Objective 2: Obtain proper regulatory and environmental clearance before proceeding.**

- This objective will give precedence to projects that are furthest along in the design, environmental, and regulatory processes.
- Possible criteria to measure this objective include:
  - Expected completion of design
  - Certification of project level EIR/EIS and project approval
  - Safety and other regulatory approval from FRA and other relevant agencies.



## **Objective 3: Maximize the non-State share of capital costs.**

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- This objective will give priority to projects which have the potential to receive non-State funds.
  - Broad definition includes federal stimulus, other federal funds, local contributions and cost-sharing, opportunities for public-private partnerships.
- Possible criteria to measure this objective include:
  - Ability to attract non-State funds
  - Project potential to attract public-private partnerships (P3) or contribute to a larger P3
  - Availability of federal stimulus or other short-term funding opportunities.



## Objective 4: Contribute to the on-time completion of the Phase I project.

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- This objective will give priority to projects which contribute to the completion of the Phase I project by the target date of 2020.
  - An approach that would adversely affect this schedule would be discounted.
- Possible criteria to measure this objective include:
  - Construction time for proposed project
  - Impact of a proposed project on the overall phase one project schedule
  - Contribution to testing and proving of high speed rail equipment, in order to initiate service by 2020.



## **Objective 5: Maximize the number of riders and regions of the State served.**

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- This objective will give priority to projects expected to generate high projected ridership. It will also communicate the Authority's desire to achieve a regional balance in areas served.
- Possible criteria to measure this objective include:
  - Projected ridership
  - Number of cities or regions served
  - Project's contribution to achieving regional balance in light of recently completed or future projects.



## **Objective 6: Make efficient use of available resources to achieve maximum public benefit.**

- This objective is twofold; it will give priority to projects that:
  - 1) have the necessary resources to move forward
  - 2) have strong positive impacts such as congestion mitigation and pollution reduction.
- Possible criteria to measure this objective include:
  - Availability of necessary resources (capital, labor, technical, other) to construct the proposed project
  - Mobility improvement associated with a given project
  - Projected ridership and associated environmental benefits
  - Contribution to congestion mitigation.



## Objective 7: Provide service that is self-sustaining.

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- This objective will give priority to sections that will not require an operating subsidy or other on-going contribution from the State.
- Possible criteria to measure this objective include:
  - Projected ridership and revenue
  - Projected operating cost
  - Potential agreements with local agencies to fund the operation of commuter/intercity service prior to high-speed service.





## Objective 8: Mitigate potential project risks to the State through efficient risk management and transfer.

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- This objective will take into account how well a project serves to minimize the risks to the State discussed in the business plan (completion, technology & operations, legislative, ridership).
- Possible criteria to measure this objective include:
  - Independent utility of proposed project
  - Connectivity with existing systems/completed projects
  - Project's ability to obtain appropriate construction bonding/other security
  - Project's role in proving high-speed rail technology
  - Potential for ridership or other risk transfer through a P3 or other mechanism.



# Timeline and Next Steps

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- After taking into account feedback from the Board, the team will develop success measures and a weighting methodology for the chosen objectives.
- The team will present draft criteria to the Board by June, with a target date of July for adoption of the preferred methodology.

